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DAVID S. ROSENZWEIG
E-mail: drosen@kwplaw.com

January 6, 2003

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, Massachusetts 02110

Re: Cambridge Electric Light Company, D.T.E. 02-76

Dear Secretary Cottrell:

Enclosed for filing on behalf of Cambridge Electric Light Company, d/b/a NSTAR Electric (the "Company"), please find the Company's responses to the following information requests in the above-referenced proceeding: DTE-1-1 through 1-10. Please note that the Company's response to Information Request DTE-1-1 contains confidential, competitively-sensitive material and, accordingly, such response has been filed in redacted form. An unredacted version of this response will be filed with the Department and the Attorney General under separate cover, consistent with a Non-Disclosure Agreement to be signed by the Company and the Attorney General. The Company has also enclosed a Motion for a Protective Order. In addition, the Company has enclosed a certificate of service.

Thank you for your attention to this matter.

Very truly yours,

David S. Rosenzweig

David S. Rosenzweig

Enclosures
cc: Jesse S. Reyes, Hearing Officer (2 copies)
Alexander Cochis, Assistant Attorney General
John DeTore
Geoffrey Lubbock
Neven Rabadjija

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Cambridge Electric Light Company	)	D.T.E. 02-76

MOTION OF CAMBRIDGE ELECTRIC LIGHT COMPANY FOR A PROTECTIVE ORDER

I. INTRODUCTION

On November 21, 2002, Cambridge Electric Light Company ("Cambridge" or the "Company") filed with the Department of Telecommunications and Energy (the "Department") a Petition for Approval of Asset Divestiture, docketed by the Department as D.T.E. 02-76 (the "Petition"). The Petition seeks Department approval of the sale of the Blackstone Station Facility ("Blackstone") by Cambridge to President and Fellows of Harvard College ("Harvard").[1]

On December 20, 2002, the Department Staff submitted information requests to Cambridge regarding, inter alia, studies on the value of Blackstone and the Blackstone site. For the reasons set forth below, Cambridge requests that the Department issue a protective order to limit disclosure of the requested proprietary, confidential and sensitive competitive information to the Attorney General, Harvard and the Department only.[2]

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1 As of December 23, 2002, Harvard and the Attorney General filed separate petitions for leave to intervene in this proceeding.

2 Cambridge and the Attorney General are in the process of finalizing a Non-Disclosure Agreement whereby Cambridge will disclose competitively sensitive information to the Attorney General, subject to the Attorney General limiting review and distribution of the information to his staff and technical consultants, as noted in the Non-Disclosure Agreement Cambridge and Harvard have executed a similar Non-Disclosure Agreement.

II. LEGAL STANDARD

Confidential information may be protected from public disclosure in accordance with G.L. c. 25, § 5D, which states in part that:

> The [D]epartment may protect from public disclosure, trade secrets, confidential, competitively sensitive or other proprietary information provided in the course of proceedings conducted pursuant to this chapter. There shall be a presumption that the information for which such protection is sought is public information and the burden shall be on the proponent of such protection to prove the need for such protection. Where the need has been found to exist, the [D]epartment shall protect only so much of the information as is necessary to meet such need.

In interpreting the statute, the Department has held that:

> . . . [T]he burden on the company is to establish the need for protection of the information cited by the company. In determining the existence and extent of such need, the Department must consider the presumption in favor of disclosure and the specific reasons why disclosure of the disputed information benefits the public interest.

The Berkshire Gas Company et al., D.P.U. 93-187/188/189/190, at 16 (1994) as cited in Hearing Officers Ruling On the Motion of Boston Gas Company for Confidentiality, D.P.U. 96-50, at 4 (1996).

In practice, the Department has often exercised its authority to protect sensitive market information. For example, the Department has determined specifically that competitively sensitive information, such as price terms, is subject to protective status:

> The Department will continue to accord protective status when the proponent carries its burden of proof by indicating the manner in which the price term is competitively sensitive. Proponents generally will face a more difficult task of overcoming the statutory presumption against the disclosure of other terms, such as the identity of the customer.

Standard of Review for Electric Contracts, D.P.U. 96-39, at 2, Letter Order (August 30, 1996). See also Colonial Gas Company, D.P.U. 96-18, at 4 (1996) (the Department determined that price terms were protected in gas supply contracts and allowed Colonial

Gas Company's request to protect pricing information including all "reservation fees or charges, demand charges, commodity charges and other pricing information").

Moreover, the Department has recognized that competitively sensitive terms in a competitive market should be protected and that such protection is desirable as a matter of public policy:

> The Department recognizes that the replacement gas purchases . . . are being made in a substantially competitive market with a wide field of potential suppliers. This competitive market should allow LDC's to obtain lower gas prices for the benefit of their ratepayers. Clearly the Department should ensure that its review process does not undermine the LDC's efforts to negotiate low cost flexible supply contracts for their systems. The Department also recognizes that a policy of affording contract confidentiality may add value to contracts and provide benefits to ultimate consumers of gas, the LDC's ratepayers, and therefore may be desirable for policy reasons.

The Berkshire Gas Company et al., D.P.U 93-187/188/189/190, at 20 (1994).

III. THE MATERIAL AT ISSUE IS PROPRIETARY, CONFIDENTIAL AND SENSITIVE AND WARRANTS PROTECTION FROM DISCLOSURE

Cambridge is requesting confidential treatment of information provided to the Department in response to Information Request DTE-1-1 (specifically, Attachments DTE-1-1 (a) through 1-1 (d)) relating to studies on the value of Blackstone Station. Such studies were prepared for both Cambridge and Harvard using market data, for the purpose of facilitating negotiations between Cambridge and Harvard to sell Blackstone Station. Accordingly, the assumptions and estimates cited in the studies should be treated as proprietary, confidential and competitively sensitive.

Moreover, to the extent that the sale of Blackstone Station to Harvard is not consummated for any reason, Cambridge will be required to attempt to sell the facility in the future. See G.L. c. 164, § 1A(b); Cambridge Electric Light Company, et al., D.T.E. 99-90-C at 11 (2001). If market assumptions and estimates contained in the studies should become publicly available, Cambridge's negotiating position with potential future purchasers of Blackstone Station will be jeopardized significantly, and thus, may undermine the Company's ability to maximize mitigation efforts, which inure to the benefit of Cambridge's customers. Accordingly, the Company requests that the Department protect from public disclosure the information provided by the Company to the Department in response to Information Request DTE-1-1.

IV. CONCLUSION

Cambridge respectfully requests leave to respond, under seal, to the Department's Information Request DTE-1-1 and to provide a copy of this response to the Attorney General and Harvard pursuant to a Non-Disclosure Agreement. This approach will allow the Department to review prior studies relating to the value of Blackstone and provide a mechanism to ensure that proprietary, confidential and sensitive market information will remain confidential.

WHEREFORE, for the reasons set forth herein, Cambridge respectfully requests that the Department allow Cambridge's Motion for a Protective Order.

Respectfully submitted,

CAMBRIDGE ELECTRIC LIGHT COMPANY

By Its Attorneys,

David S. Rosenzweig, Esq.
John K. Habib, Esq.
Keegan, Werlin & Pabian, LLP
21 Custom House Street
Boston, Massachusetts 02110
(617) 951-1400 (telephone)
(617) 951-1354 (facsimile)

Date: January 6, 2003

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Cambridge Electric Light Company	)	D.T.E. 02-76

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the Department of Telecommunications and Energy, the Attorney General and all parties on the service list in this proceeding, in accordance with the requirements of 220 C.M.R. 1.05 (the Department's Rules of Practice and Procedure).

John K. Habib

John K. Habib, Esq.
Keegan, Werlin & Pabian, LLP
21 Custom House Street
Boston, MA 02110
(617) 951-1400

Dated: January 6, 2002

Information Request DTE-1-1

Refer to Exh. GOL-1, at 10, lines 3-4. Please produce the studies on the value of Blackstone Station and the Blackstone site. In addition, provide a comparison and explanation of the assumptions made in deriving the estimates in each study.

Response

CONFIDENTIAL MATERIAL ATTACHED

Four studies of Blackstone Station are attached as follows:

- Attachment DTE-1-1(a) **CONFIDENTIAL**, a Land Use and Valuation Study performed by Meredith & Grew, Inc., dated March 6, 2001;
- Attachment DTE-1-1(b) **CONFIDENTIAL**, an appraisal of Blackstone Station performed by R.W. Beck, dated August 1998;
- Attachment DTE-1-1(c) **CONFIDENTIAL**, a study from Spaulding & Slye, dated August 14, 2000, prepared on behalf of President and Fellows of Harvard College ("Harvard"); and
- Attachment DTE-1-1(d) **CONFIDENTIAL**, an updated study from Spaulding & Slye, dated June 13, 2002, prepared on behalf of President and Fellows of Harvard College.

The Beck report of 1998 is an appraisal of the steam plant only. It values the plant as if it was not dependent upon other assets (e.g., fuel tanks and various easements not part of the study) and had no environmental liabilities.

The March 6, 2001 Meredith & Grew Inc. draft (and unsigned) Land Use and Valuation Study was for NSTAR's Real Estate Department to assist with negotiations for the sale of the Blackstone property to Harvard University. The March 6, 2001 draft report was prepared for Spaulding & Slye Colliers and Harvard University to assist with the negotiations for the purchase of the property.

The Meredith & Grew draft report presented a best-case scenario for development, and was used for initial negotiations with Harvard University's purchase of the subject property. Because the report was a draft, it excluded reductions in value for an existing MWRA sewer easement that bisects the property, the necessary continued operation of the existing steam plant, and NSTAR electric system proposed easements. In addition, the draft report considered optimal zoning regulations and favorable outcomes without any limitation of demolition of existing buildings pursuant to historical status, and had no reduction in value or considerations for potential environmental issues. The report discussed a theoretical value, assuming none of the above-mentioned items would impact the property adversely.

Please note that these studies are dated and, as such, are of limited value in assessing the value of the Blackstone assets under current market conditions. In addition, none of the studies evaluates environmental risks, current zoning considerations (e.g., height and use limitations) or other mitigating factors relative to the value of the Blackstone site. Therefore, it is not possible to make conclusions on or comparisons between the attached studies and the proposed sale to Harvard.

Please also note that the attachments are confidential and marked as "CONFIDENTIAL." In particular, please note that the Spaulding & Slye report conducted on behalf of Harvard has been provided to the Company by Harvard on the express condition of confidentiality and that such report is being supplied on that condition.

Information Request DTE-1-2

Refer to Exhibit GOL-1, at 10, lines 13-15. Please explain in detail why the purchase price for Blackstone maximizes the value of the assets, where that amount "falls comfortably within the various valuations of Blackstone performed over the last few years." In your answer, include all assumptions supporting the valuation under the Purchase and Sale Agreement ("PSA").

Response

The $14.6 million purchase price falls comfortably within the various valuations of Blackstone performed over the last few years. This can be seen from the valuations provided in response to Information Request DTE-1-1 where the valuations over a period of time ranged widely with varying assumptions.

The purchase price maximized the value of the assets to customers because:

(1) the Company could have transferred the assets to a subsidiary under the Electric Restructuring Act of 1997 at $14.6 million (see G.L. c. 164, § 1A(b)(2)) and continued its profitable steam business;

(2) the Company could have recovered the value of its non-regulatory steam assets out of the $14.6 million, because the value of such assets will be lost as a result of the sale of the plant; and

(3) the Company could have recovered severance and retaining costs of generating plant employees out of the $14.6 million in accordance with existing precedent but will not under its pending proposal.

Thus, in summary, the customers received the highest price for any plant sold in New England with the added bonus that costs normally deducted from this amount will not be recovered from the sale price.[1]

The assumptions leading to this conclusion are discussed in the Company's response to Information Request DTE-1-8. The Company's response to Information Request DTE-1-8 explains why the Company believed that the sale to Harvard was expected to be the best way to maximize the value of the assets and the methods by which the Company approached the complexities of the sale, as

[1] However, consistent with precedent, transaction costs and unrecovered utility plant will be deducted by the Company from the selling price.

well as the considerations in moving to an open market sale (including the existence of the steam plant contract with Harvard and the "Right of First Refusal" on the property).

In addition, please refer to the Company's response to Information Request DTE-1-9 regarding Harvard's special interest in the site.

Information Request DTE-1-3

Refer to Exh. GOL-1, at 13, line 8 and Schedule 1 of the PSA. Please describe all "easements and other appurtenant rights of the Company."

Response

It is customary in documents relating to the sale of real property to include in the description of the property being sold a general reference to "appurtenant rights," i.e., rights in the property of others (such as easements) - which may exist and benefit the property being sold. It is also customary to make a similar generalized reference that the subject property is being sold "subject to easements and other matters of record," i.e., rights that others may have (again, such as easements) in the property being sold, that benefit those other parties.

The general reference to "appurtenant rights" is not intended to describe any specific rights that may or may not exist, but is intended to make sure that the description of the property being sold is sufficiently broad to avoid any implication that less than all the rights of the seller are being sold. Similarly, the seller, in including the generalized reference about "subject to all easements, etc." is intending not to describe any specific easements, but intends to make sure the buyer agrees in principle to take the property with any existing burdens.

In either case, the final determination about whether any "appurtenant rights" exist, or whether the property is subject to any easement burdens is made through a title examination, which is typically summarized in a commitment for title insurance issued in favor of a prospective buyer by a title insurance company.

Attached is a copy of "Schedule B, Section II – Exceptions" from a commitment for title insurance issued to Harvard by Fidelity National Title Insurance Company of New York (Attachment DTE-1-3). In subsection "III. – Special Exceptions", there are identified three easements to which the property is subject – Items Nos. (3), (5) and (6). The property will be sold "subject to" those easement rights of others.

With respect to "appurtenant easements", none has been specifically identified to date. The Company acquired title by numerous deeds over time, many dating to the last quarter of the 19th century. The Company has not performed an examination of title in connection with this transaction (that being the responsibility of the buyer), and so cannot state with any certainty whether there are or are not any easements that would qualify as appurtenant to the property. It is reasonably certain, however, that any such easements, if they exist, are not material to the use and operation (and therefore the value) of the property, because any such material easements would have been carefully documented on the record title and plans of record.

The following information, although beyond the scope of the question, is provided for completeness:

On a going-forward basis, Cambridge Electric Light Company will retain certain easements in the property being sold to Harvard, in order to permit continued operation of certain electric distribution facilities that are not related to the operation of Blackstone Station and are necessary for continued provision of electric distribution service to Cambridge customers.

These electric distribution facilities (called "T&D Assets") are described on Exhibit A to the Purchase and Sale Agreement. The easements that the Company intends to retain are described in the "Form of Quitclaim Deed" (Exhibit C to the Purchase and Sale Agreement), and are depicted in the plans attached to Exhibit C that are captioned "Blackstone Station – Retained Electric Easement Plan" and "Plan Showing Electric Easement #3 and Electric Easement #4 – August 1, 2002".

Law Offices
TAMAGINI & BLOOMENTHAL, P.C.

935 Main Street
Waltham, MA 02451-7417
Tel: (781) 899-2400
Fax: (781) 899-1611

File No: B00-331

July 25, 2002

Robert E. McGaw, Esquire
Harvard University
Office of the General Counsel
Holyoke Center, Suite 980
1350 Massachusetts Avenue
Cambridge, MA 02138-3834

RE: Cambridge Electric Light Company
24-46 and 25-45 Blackstone Street,
and 217-219 and 221-229 Putnam Avenue
Cambridge, MA

Dear Bob:

Under cover of my letter dated July 15, 2002, I mailed you Fidelity Title Commitment No. 28 effective July 12, 2002. Unfortunately, in my haste to get it to you, I made errors in Paragraph No. 5 of Schedule A, and in Schedule B, Section II, Special Exceptions. Enclosed is a new Commitment No. 28, updated to July 14, 2002, to replace it.

Please feel free to contact me if you have any questions or comments.

Very truly yours
TAMAGINI & BLOOMENTHAL, P.C.

James E. Tamagini

JET/n
encls

cc: Robin P. Daniels, Esquire, Rubin & Rudman LLP (via fax)

Commitment For Title Insurance

Issued By

Fidelity National Title Insurance Company of New York

Schedule A

Commitment No: 28 File No: B00-331

1. Effective Date: July 14, 2002 at 4:00 o'clock P.M.

2. Policy or Policies to be issued:

   (a) ALTA Owner's Policy (10-17-92) $ TBD

   Proposed Insured:

   President and Fellows of Harvard College.

   (b) ALTA Loan Policy (10-17-92) $ N/A

   Proposed Insured: N/A

3. The estate or interest in the land described or referred to in this Commitment and covered herein is FEE SIMPLE.

4. Title to the fee simple estate or interest in said land is at the effective date hereof vested in:

   Cambridge Electric Light Company, a Massachusetts corporation.

5. The land referred to in this Commitment is located at 24-46 and 25-45 Blackstone Street and 217-219 and 221-229 Putnam Avenue in the City of Cambridge, Middlesex County, Commonwealth of Massachusetts.

NOTE: Unless otherwise expressly specified herein, wherever used herein the the word "recorded" shall mean recorded with the Middlesex South District Registry of Deeds, and the word "filed" shall mean filed with the Middlesex South Registry District of the Land Court.

Countersigned at Boston, MA
by TAMAGINI & BLOOMENTHAL, P.C.
AUTHORIZED AGENT

ALTA COMMITMENT - 1996

Fidelity National Title Insurance Company of New York

Schedule B, Section I - Requirements

Commitment No: 28 File No: B00-331

The following are the requirements to be complied with:

1. Payment of the full consideration to, or for the account of, the grantors or mortgagors.

2. Payment of all taxes, charges, assessments, levied and assessed against subject premises, which are due and payable.

3. Satisfactory evidence should be had that improvements and/or repairs or alterations thereto are completed; that contractor, subcontractors, labor and materialmen are all paid.

4. Instrument(s) creating the estate or interest to be insured must be approved, executed and filed for record, to wit:

   a. Duly authorized and executed Deed from Cambridge Electric Light Company vesting fee simple title in President and Fellows of Harvard College.

   b. Duly authorized and executed mortgage from _______(N/A)______ to ____________________

5. Record current Certificate(s) of Municipal Liens evidencing payment in full of all real estate taxes currently due and payable, and provide other evidence in a form satisfactory to the Company of payment in full of all other municipal liens, charges and assessments currently due and payable.

   NOTE: If the premises to be insured consists of multiple tax parcels, a Certificate of Municipal Liens for each parcel must be obtained and recorded.

6. Receipt of properly executed Parties in Possession and Mechanic's Lien Affidavit in order to delete or modify exceptions set forth in Schedule B, Section II, Standard Exceptions II (a) and (b).

7. Receipt of current instrument survey and Surveyor's Report in order to delete or modify exceptions set forth in Schedule B, Section II, Standard Exceptions II (c).

8. Issuance of a final title insurance policy is conditioned upon payment of all title premium(s) due in connection with said policy(ies) at the present applicable rates as well as full payment of all examination and counsel fees of Tamagini & Bloomenthal, P.C., and all recording and other costs and/or out-of-pocket disbursements incurred by the Company and/or its Agent relative to this transaction.

9. Record satisfactory evidence by way of a Certificate from the Office of the Secretary of the Commonwealth of Massachusetts evidencing Cambridge Electric Light Company to be a duly existing corporation, and record a Certificate of Good Standing.

(SEE CONTINUATION SHEET ATTACHED HERETO AND MADE A PART HEREOF)

Fidelity National Title Insurance Company of New York

Schedule B, Section I - Requirements (continued)

Commitment No: 28 File No: B00-331

10. In the case of corporate signatories, documents must be signed by the President or Vice President and Treasurer or Assistant Treasurer of the respective corporations. Alternatively, Corporate Resolutions which authorize the signatories on the instruments must be recorded together with a Clerk's Certificate of Incumbency.

11. The following must be recorded if the conveyance called for in Requirement 4 a. above is a conveyance of all, or substantially all, of the assets of Cambridge Electric Light Company within the Commonwealth of Massachusetts:

    (a) Corporate Excise Tax Waiver.

    (b) A Vote pursuant to, and in accordance with, the Provisions of Massachusetts General Laws Chapter 156B, Section 75, as amended.

    In the alternative, an Affidavit, in form and substance satisfactory to the Company, must be recorded which certifies that said conveyance does not constitute a transfer of all, or substantially all, of said Grantor's assets within the Commonwealth of Massachusetts.

12. The Deed to the party to be insured hereunder must contain a description of the Insured Premises that is based on a current survey, which plan is to be recorded with said Deed.

13. Upon full disclosure to the Company of the nature and scope of this transaction and its review and approval of the closing documents, including updated certifications of title, the Company reserves the right to raise such other and further exceptions and requirements as it deems appropriate.

14. This Commitment is issued by Tamagini & Bloomenthal, P.C. (hereinafter referred to as "T & B") on the basis that T & B will issue the title insurance policy(ies) contemplated by this Commitment, and that the information contained herein is provided solely for the use of the party to whom this Commitment is addressed and delivered by T & B. No reliance upon this Commitment may be made by anyone other than said party without the express prior written consent of T & B. Any unauthorized reliance upon or use of this Commitment at any time for any reason by another party without first obtaining the express prior written consent of T & B is strictly prohibited and may give rise to a claim in favor of T & B for all legal fees, costs and charges.

    Use of this Commitment by anyone in connection with rendering an opinion regarding the record title to the premises described in Exhibit A hereof, or for the purpose of issuing a commitment and/or title insurance policy, shall obligate such person or entity to pay legal fee, costs and charges to T & B.

    T & B's sole obligation arising under this Commitment is to deliver a title insurance policy pursuant to the terms and conditions of this Commitment.

Fidelity National Title Insurance Company of New York

Schedule B, Section II - Exceptions

Commitment No: 28

File No: B00-331

Schedule B of the policy or policies to be issued will contain exceptions to the following matters unless the same are disposed of to the satisfaction of the Company.

I. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the public records or attaching subsequent to the effective date hereof but prior to the date the proposed Insured acquires for value of record the estate or interest or mortgage thereon covered by this Commitment.

II. Standard Exceptions:

(a) Rights, interests or claims of present tenants, lessees or parties in possession.

(b) Any lien or right to a lien for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by1 the public records.

(c) Easements or claims of easements not shown by the public records, title to filled land (if any), discrepancies, conflicts in boundary lines, overlaps, encroachments and any facts which an accurate and complete survey and inspection of the premises would disclose.

III. Special Exceptions:

(1) Such state of facts as disclosed by a current Certificate(s) of Municipal Liens; lien(s) for unpaid water, sewer and other municipal charges and assessments, if any.

(2) The exact area or square footage being other than as stated in the Schedule A description of the Insured Premises and/or the plan(s) therein referred to.

(3) Taking by the Commonwealth of Massachusetts (acting by and through its Board of Metropolitan Severage Commissioners) for the construction and maintenance of sewer and drain easements, dated March 25, 1893, and recorded in Book 2183, Page 245.

(4) Agreement by and between Cambridge Electric Light Company and the City of Cambridge regarding a Permit to Dewater, dated April 10, 1992, and recorded in Book 21967, Page 18.

(5) Indenture by and between Cambridge Electric Light Company and The Mutual Life Insurance Company of New York regarding an easement and right of way, dated December 20, 1989, and filed as Document No. 814249.

(6) The reference to sewer rights in favor of the MDC on the face of Original Certificate of Title No. 15980 filed in Registration Book 104, Page 15.

Fidelity National Title Insurance Company of New York

Commitment No: 28 File No: B00-331

Although such matters are excluded from coverage under the Exclusions From Coverage, for informational purposes only, your attention is directed to the pfact that the records at said Registry of Deeds disclose the recording of Decision (Case No. 6982) by the City of Cambridge Board of Appeals recorded in Book 25103, Page 599.

Information Request DTE-1-4

Refer to Exh. GOL-1, at 4 ("[T]he Company's arms-length negotiation with Harvard has resulted in a price for Blackstone that is equivalent to the highest price per kilowatt ('KW') of capacity for any generation sold in New England since the advent of retail access in Massachusetts"). Please summarize all comparable sales of generation assets, including the name of the seller, name of the purchaser, closing date, name and location of the asset, and price per kilowatt for the asset.

Response

The following information in Table DTE-1-4 (Attachment DTE-1-4) shows generation asset sales in New England since the initiation of retail access in 1998.[1] The transactions contained in Table DTE-1-4 include both utility and non-utility sales, and represent a variety of generation technologies including natural gas, coal, hydro and oil-fired assets. These transactions also vary substantially in size, ranging from 16 MW to 2,235 MW. Of all of the transactions since 1998, only one, the September 1998 sale by Bangor Hydro to PP&L Global of 83 MW of combined fossil and hydro assets, had a higher \$/KW value (\$952). It is important to note, however, that the Bangor Hydro transaction included non-generating assets and transmission rights that would have affected the overall transaction value. The value of these assets has not been deducted from the acquisition price. Moreover, hydroelectric generating assets, with generally low marginal costs and correspondingly high capacity factors, often are valued at a comparatively high \$/KW than fossil fuel power plants. Excluding the Bangor Hydro transaction, the Blackstone transaction resulted in the highest \$/KW valuation of New England asset sales since the advent of retail competition.

[1] Please note that Attachments DTE-1-4 and DTE-1-6(a) inadvertently do not include Boston Edison Company's May 1998 sale of its former Mystic Station, New Boston Station, Edgar Station, Framingham Station and West Medway Station facilities (collectively, 1987 Megawatts) to Sithe Energies for approximately \$657 million.

Table DTE 1-4: Comparable Sales of Generation Assets in New England (1998-2002)

Date	Seller	Purchaser	Plant Name	Location	Capacity (MW)	Price Paid Total	Price per KW
Jan-98	Intercontinental Energy	FPL and Tractebel	Bellingham, Sayerville	MA, NJ	600	$ 533,000,000	$ 888
Jan-98	Central Maine Power	FPL Group	Fossil, Hydro and Wood Fired Assets	ME	1,185	$ 846,000,000	$ 714
Apr-98	Newport Electric	Wabash Power Equipt. Co.	Diesel Units in Jamestown, Portsmouth	RI	16	$ 1,600,000	$ 100
May-98	Commonwealth Energy System	Southern Energy	Kendall	MA	984	$ 462,000,000	$ 470
May-98	Eastern Utility Associates	Southern Energy	Canal Unit 2 (50%)	MA	276	$ 75,000,000	$ 272
Jul-98	Maine Public Service	WPS Power Development	Fossil and Hydro Assets	ME	92	$ 37,400,000	$ 407
Aug-98	Montaup Electric/Newport Electric	FPL Group	W.F. Wyman 4 (2.63%)	MA	16	$ 2,400,000	$ 147
May-99	Bangor Hydro	PP&L Global	Fossil and Hydro Assets	ME	83	$ 79,000,000	$ 952
Oct-98	United Illminating	Wisvest Corp	Bridgeport Harbor/New Haven Harbor	CT	1,056	$ 272,000,000	$ 258
Oct-98	Montaup Electric	NRG Energy	Somerset	MA	160	$ 55,000,000	$ 344
Jan-99	Western Mass Electric	Con Edison Energy	Fossil and Hydro Assets	MA	290	$ 47,000,000	$ 162
Jul-99	Connecticut Light & Power	NRG Energy	Several assets	CT	2,235	$ 460,000,000	$ 206
Oct-00	Energy Management	Calpine Corporation	Dighton, Tiverton, and Rumford,	MA, RI, ME	350	$ 145,000,000	$ 414
Nov-02	Sithe New England Holdings	Exelon	Mystic, Fore River, Yarmouth, Edgar, South Boston, Framingham, Medway	MA, ME	2,227	$ 543,000,000	$ 244

Source: 10K filings, Press releases, Energy InfoSource, Energy Central, Electric Power Supply Association, other public data.

Information Request DTE-1-5

Refer to Exh. GOL-1, at 9 ("[T]he Company chose to negotiate with Harvard to divest Blackstone while keeping in abeyance a contingency plan for a separate auction of Blackstone"). Please detail this auction contingency plan. Include in this description what actions would cause the Company to implement this contingency plan, and why such implementation of this plan was not viewed as practical or appropriate during the negotiation process.

Response

Please see the Company's response to Information Request DTE-1-8.

Information Request DTE-1-6

Refer to Exh. GOL-1, at 10 ("[T]he value of generation assets generally has depressed significantly since 1998"). Please substantiate in detail the Company's assertion that generation asset prices have depressed significantly since 1998.

Response

As noted in the Company's response to Information Request DTE-1-4, the price realized in the Blackstone transaction is the highest price per KW for generation assets in New England since 1998.[1] Based on the same data, on a weighted-average $/KW basis, New England prices have fallen from $521/KW in 1998 to $241/KW in 2002. This downward trend in prices applies not only to the New England market, but also to the U.S. generation market as a whole. The data in Table DTE 1-6A (Attachment DTE-1-6(a)) represent U.S. non-nuclear generation asset sales from 1998 to 2002. As with the data in Table DTE 1-4 (Attachment DTE-1-4), the transactions contained in Table DTE 1-6A include both utility and non-utility sales, and represent a variety of generation technologies including natural gas, coal, hydro and oil-fired assets varying substantially in size, from 16 MW to 9,772 MW. Based on that data, and as noted in Attachment DTE-1-6(b), on a weighted-average $/KW basis, valuations for generation transactions around the U.S. have trended downward since 1998, and have fallen substantially since 2000. In fact, the weighted-average price has fallen from $445/KW in 1998 to $299/KW in 2002 (approximately a 33% decrease).

In addition to transaction-specific data, other market information confirms the downward trend in generating asset valuations. On December 20, 2002, for example, FirstEnergy Corporation announced that it would not proceed with the sale of its four coal-fired generation assets because the bids it received for the assets were too low.[2] In addition, companies that had been active buyers of generating assets over the past several years, such as Mirant, NRG, PG&E National Energy Group, Allegheny Energy, and AES Corporation, are actively reducing their own generation portfolios.[3] Moreover, some industry observers foresee a continuance in this trend. Standard and Poor's credit analyst, Peter Rigby, noted, "... as firms increasingly try to raise cash to avoid default or bankruptcy, their reluctance to sell at a steep loss may change. Some owners may

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1 As explained in response to Information Request DTE 1-4, excluding the 1998 sale of hydro and fossil assets by Bangor Hydro to PP&L Global, the Blackstone transaction represents the highest price/KW.

2 The Blade, Toledo, Ohio, December 21, 2002.

3 Global Power Report, December 5, 2002.

even sell sooner if they find that the potential tax write-offs may exceed cash proceeds of non-performing investments. If banks and lenders begin to take title to merchant power plants and decide to liquidate immediately, sale prices will likely plummet, which could result in recoveries as low as 10% in some markets."[4]

Historical data for both regional and national transactions, therefore, confirm that the value of generation assets has fallen since 1998. In addition, recent market developments indicate that this downward trend is continuing in the present market.

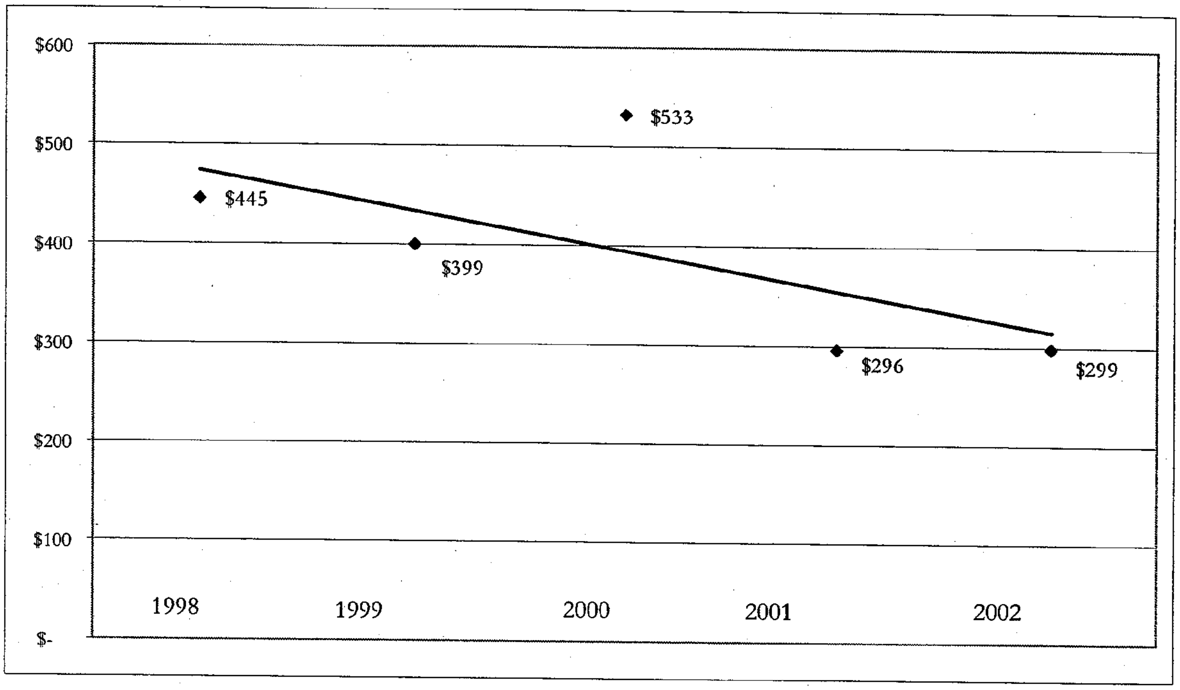
[4] Electric Utility Week, November 18, 2002

Table DTE 1-6A: Sales of Non-Nuclear Generation Assets in United States (1998-2002)

Sale Date	Seller	Purchaser	Plant Name	Location	Capacity (MW)	Price Paid Total	Price per KW
1/1/1998	Intercontinental Energy	FPL and Tractebel	Bellingham, Sayerville	MA, NJ	600	$ 533,000,000	$ 888
1/6/1998	Central Maine Power	FPL Group	Fossil, Hydro and Wood Fired Assets	ME	1,185	$ 846,000,000	$ 714
3/26/1998	Southern Cal Edison	Reliant Energy	Ormond Beach	CA	1,500	$ 43,000,000	$ 29
3/26/1998	Southern Cal Edison	NRG/Destech	Long Beach	CA	530	$ 29,800,000	$ 56
4/6/1998	Dominion Energy	Calpine Corp		TX	414	$ 109,500,000	$ 264
4/13/1998	Newport Electric	Wabash Power Equipt. Co.	Diesel Units in Jamestown, Portsmouth	RI	16	$ 1,600,000	$ 100
5/27/1998	Commonwealth Energy System	Southern Energy	Kendall	MA	984	$ 462,000,000	$ 470
5/27/1998	Eastern Utility Associates	Southern Energy	Canal Unit 2 (50%)	MA	276	$ 75,000,000	$ 272
6/1/1998	Chase Manhattan, First Chicago, Texas Commerce	Square Butte Electric Coop	Milton R. Young	MN	455	$ 150,000,000	$ 330
7/7/1998	Maine Public Service	WPS Power Development	Fossil and Hydro Assets	ME	92	$ 37,400,000	$ 407
8/3/1998	GPU and NYSEG	Edison Mission	Homer City	PA	1,884	$ 1,801,000,000	$ 956
8/3/1998	NYSEG	AES		NY	1,424	$ 950,000,000	$ 667
8/4/1998	Montaup Electric/Newport Electric	FPL Group	W.F. Wyman 4 (2.63%)	MA	16	$ 2,400,000	$ 147
5/27/1999	Bangor Hydro	PP&L Global	Fossil and Hydro Assets	ME	83	$ 79,000,000	$ 952
10/5/1998	United Illminating	Wisvest Corp	Bridgeport Harbor/New Haven Harbor	CT	1,056	$ 272,000,000	$ 258
10/15/1998	Montaup Electric	NRG Energy	Somerset	MA	160	$ 55,000,000	$ 344
10/15/1998	Duquesne Light	First Energy		OH	1,436	N/A	
10/15/1998	First Energy	Duquesne Light		OH	1,328	N/A	
10/15/1998	Eastern Utility Associates	NRG	Somerset				
10/30/1998	Cogen Technologies	Enron Capital & Trade	Linden, Bayonne, Camden cogen	NJ	1,037	$ 1,100,000,000	$ 1,061
11/2/1998	Montana Power	PP&L Global		MT	1,315	$ 757,000,000	$ 576
11/2/1998	Portland General Electric	PP&L Global	Colstrip	WA	311	N/A	
11/10/1998	GPU	Sithe Energy	23 Plants	PA, NJ, MD	4,034	$ 1,620,000,000	$ 402
11/18/1998	San Diego Gas & Electric	San Diego Unified Port District	South Bay	CA	706	$ 110,000,000	$ 156
11/24/1998	PG&E Corp	Southern Energy	Pittsfield, Contra Costa, Petrero	CA	3,065	$ 801,000,000	$ 261
11/24/1998	O&R/ConEdison	Southern Energy	Bowline, Lovett, others	NY	1,776	$ 480,000,000	$ 270
12/23/1998	Niagara Mohawk Power	NRG Energy	Huntley, Dunkirk	NY	1,360	$ 355,000,000	$ 261
1/27/1999	Western Mass Electric	Con Edison Energy	Fossil and Hydro Assets	MA	290	$ 47,000,000	$ 162
1/29/1999	Consolidated Edison	KeySpan Energy	Ravenswood Bundle	NY	2,168	$ 597,000,000	$ 275
1/29/1999	Consolidated Edison	NRG Energy	Arthur Kill	NY	1,456	$ 505,000,000	$ 347
3/3/1999	CalEnergy	El Paso Merchant Energy	14 power projects (50%)	CA, NY, PA, TX, AR	896	$ 259,600,000	$ 290
3/3/1999	Consolidated Edison	Orion Power Holdings	Astoria, Gowanus, Narrows	NY	1,855	$ 550,000,000	$ 296
3/22/1999	Commonwealth Edison	Edision Mission Energy	All asssets	IL	9,772	$ 4,813,000,000	$ 493
4/1/1999	Niagara Mohawk Power	NRG Energy	Oswego Station (88%)	NY	1,496	$ 80,000,000	$ 53
4/1/1999	Rochester Gas & Electric	NRG Energy	Oswego Station (12%)	NY	204	$ 10,600,000	$ 52
5/10/1999	PacifiCorp (and others)	TransAlta	Centralia	WA	1,340	$ 453,000,000	$ 338
5/24/1999	PP&L	WPS Power Development	Sunbury	PA	431	$ 107,000,000	$ 248
7/6/1999	Connecticut Light & Power	NRG Energy	Several assets	CT	2,235	$ 460,000,000	$ 206
8/24/1999	Orlando Utilities	Reliant Energy	Indian River	FL	619	$ 205,000,000	$ 331
8/26/1999	Cajun Electric Power Cooperative	NRG Energy	All asssets	LA	1,708	$ 1,026,000,000	$ 601
9/27/1999	DQE Inc.	Orion Power Holdings	Avon Lake, Cheswick, Elrama, New Castle, Niles, Brunot Island	OH, PA	2,614	$ 1,705,000,000	$ 652
10/6/1999	Niagara Mohawk Power	PSEG Power	Albany Station	NY	400	$ 47,500,000	$ 119
12/7/1999	Dynegy	El Paso Merchant Energy	Calif. Cogen Plants	CA	379	$ 255,000,000	$ 673
1/19/2000	Conectiv	NRG Energy	Vienna, Indian River	DE	1,875	$ 800,000,000	$ 427
2/20/2000	Sithe Energy	Reliant Energy	All PA, NJ, MD Assets	PA, NJ, MD	4,276	$ 2,100,000,000	$ 491
3/7/2000	Duke Energy	Calpine Corporation	Hidalgo Energy Center, (78.5% ownership)	TX	393	$ 235,000,000	$ 599
6/8/2000	PEPCO	Southern Energy	Four Fossil Plants	VA, MD	4,400	$ 2,750,000,000	$ 625
8/8/2000	CHG&E, NiMo	Dynegy	Roseton and Danskamer	NY	1,700	$ 930,000,000	$ 547
4/7/2000	CMS Generation	ConEd Development	Lakewood, NJ Project	NJ	189	$ 94,000,000	$ 498
10/23/2000	Energy Management	Calpine Corporation	Dighton, Tiverton, and Rumford,	MA, RI, ME	350	$ 145,000,000	$ 414
11/1/2000	Sierra Pacific	WPS Power Development	Tracy/Pinion	NV	525	$ 249,800,000	$ 476
2/8/2001	AEP	TECO Power Services	Frontera	TX	500	$ 265,000,000	$ 530
8/17/2001	Edison Mission	Calpine Corporation	Gordonsville	VA	120	$ 35,000,000	$ 292
10/12/2001	El Paso	Mirant	Thomaston, New Port Richey,	GA, FL	1,120	$ 480,000,000	$ 429
12/20/2001	TXU Electric	Exelon	Handley and Mountain Creek	TX	2,334	$ 443,000,000	$ 190
12/24/2001	CH Energy	WPS Power Development	Syracuse, Beaver Falls and Niagara, NY	NY	257	$ 58,000,000	$ 226
2/26/2002	Mirant	Dominion	State Line	IN	515	$ 182,000,000	$ 353
4/25/2002	Javelin Energy	TXU Electric	Pedricktown	NJ	122	$ 36,000,000	$ 295
9/26/2002	Aquila	Foristar	Lockport Energy Facility	NY	30	$ 37,500,000	$ 1,257
11/6/2002	El Paso	TransCanada Pipelines	ManChief	CO	300	$ 127,000,000	$ 423
11/7/2002	Sithe New England Holdings	Exelon	All Mystic, Fore River, Yarmouth, Edgar, South Boston, Framingham, Medway	MA, ME	2,227	$ 543,000,000	$ 244
11/1/2002	TNMP	Sempra		TX	305	$ 120,000,000	$ 393

Source: 10K filings, Press releases, Energy InfoSource, Energy Central, Electric Power Supply Association, other public data.

Table DTE 1-6B: Weighted Average U.S. Non-Nuclear Generation Asset Sales Price per KW (1998-2002)



Source: 10K filings, Press releases, Energy InfoSource, Energy Central, Electric Power Supply Association, other public data.

Information Request DTE-1-7

Refer to Exh. GOL-2, at ¶ 2 ("Harvard's Right of First Offer"). Please detail the process by which the Company and Harvard obtained the "fair-market value" of Blackstone.

Response

Please see the Company's response to Information Request DTE-1-8.

Information Request DTE-1-8

Refer to D.T.E. 99-90-C at 10 ("It is time to wind up Cambridge's restructuring case"). Please explain the reasons for the protracted negotiations between the Company and Harvard.

Response

The Company has been negotiating with Harvard for an extended period. The Company initially chose to negotiate with Harvard rather than to sell the plant at auction because the Company recognized Harvard's concern over retaining a secure steam supply for its campus and because of the restrictions of the Right of First Offer (Exh. GOL-2). As explained in response to Information Request DTE-1-9, the Company expected Harvard to be the most willing purchaser of the plant. As shown in response to Information Request DTE-1-1, the Company obtained valuations of the plant and met with Harvard to agree on a valuation. Harvard also obtained a valuation of the plant, which was considerably lower than the Company's valuation. After considerable discussion, the Company and Harvard reached preliminary agreement on a value of $20 million. Shortly after this preliminary agreement, Harvard indicated that they could no longer consider this price because of market changes and concerns about zoning.

At that time, the Company did not consider that an agreement on price with Harvard was feasible and began preparations for an open market auction. However, the Company had concerns about going to an open market bid because of Harvard's rights under the steam contact and under the Right of First Offer. Harvard made clear indications that it would strenuously protect any rights that it might have. In the context of an open auction, the Company had concerns that Harvard's assertion of rights to negotiate to purchase Blackstone could dissuade likely bidders and could hold up any sale. The Company determined that a failed auction would be the worst possible outcome. (Note that in the PSA the Company included the term that, if Harvard elected not to consummate the purchase, then Harvard gave up any and all rights under the Right of First Offer.)

Just before the Company was to begin the production of the offering memorandum to offer the plant through an auction, the Company made one last overture to Harvard. The Company felt that, if it could obtain the $14.6 million price which was raised in previous hearings by the Attorney General that the price would not only be supportable but would also represent a price higher than the Harvard valuation but below the $20 million level. The Company also believed that a purchase price of $14.6 million was eminently supportable under the Electric Restructuring Act of 1997 as being the highest price per kilowattage of capacity for any capacity sold in New England. The Company informed Harvard that this was a last chance offer before the plant was subjected to an open market bid. The Company also informed Harvard that the Company was under direction by the Department of Telecommunications and Energy (the "Department") to conclude its negotiations with Harvard forthwith and that the $14.6 million offer was valid only for a limited period. The Company informed Harvard that it would be sending out an offering memorandum as soon as possible if the offer were not accepted within two weeks. Harvard responded favorably to the proposal and the Company began negotiations to conclude the sale.

Although the selling price for the plant was the major issue to be negotiated with Harvard, another important issue was the continued employment of the NSTAR generating plant employees. In other generating plant sales, the employees transferred to the new owners and severance/retraining costs were absorbed in the selling price, which reduced the residual value credit for customers. In this sale, Harvard indicated that they would like the option to offer employment but not have the obligation to offer employment to any or all employees. The Company managed to offer the requested employment options to Harvard and left the responsibility for severance and retraining with the Steam Company so that the selling price of $14.6 million was not reduced by these costs.

In conclusion, the protracted negotiation was caused by market changes and the complexity of the sale, which had to address the steam as well as the generation issues. While the Company could have resolved the issues earlier by agreeing to a lower price with Harvard, it believes that the considerable time and effort by its management reached an equitable outcome for all parties which maximized the customers overall value from the sale. In addition, the Company was concerned that it not only maximized the value of the property but also ensured that Harvard's campus would not be inconvenienced with a lack of heating on campus. Harvard is an important contributor to the Commonwealth and an important customer to NSTAR and NSTAR saw value in reaching a consensual agreement with Harvard.

Information Request DTE-1-9

Refer to Exh. GOL-1, at 7, lines 18-21. Please state all facts relied upon for the conclusion that Harvard "would likely pay more than other potential buyers." Have any other parties inquired about buying Blackstone? If so, please describe all such inquiries.

Response

Approximately 80 percent of Harvard's campus is heated with steam from Blackstone Station. For this reason alone, the Company believed that Harvard would have a uniquely strong incentive to pay more than others to gain control of Blackstone Station. In addition, the location of the plant is close to the Harvard campus and provides an attractive location for expansion of the campus. Finally, we were aware that Harvard had in the past paid substantial amounts for attractive sites that will support long-term growth requirements and the Company believed that this would make Harvard the highest and best price buyer.

There have been no unsolicited offers for the plant.

Information Request DTE-1-10

Refer to the Petition at 3 n.1 and Exh. GOL-1, at 9, lines 8-10. Please provide a detailed description of the electricity generation unit, including the costs necessary to return the unit to active service and a statement of the extent that the unit may be available for potential generation other than for peaking.

Response

Unit #1 at Blackstone was a 15,625 KVA (nameplate) Westinghouse steam turbine generator built in 1928. This unit was available to produce electricity until the fall of 2001. Because of a very low efficiency (high heat rate) due to its age, the unit was typically dispatched only in times of very high loads or for area protection and voltage support. In 1998 and 1999, the New England energy market experienced high prices for energy and certain areas like Northeastern Massachusetts experienced high congestion costs (i.e., operation of out-of-merit generation owned by Sithe, PG&E and Mirant). Following a fire at Blackstone Station in December 1999, which disabled switchgear that controlled Generator #1, a decision was made to repair the equipment damaged by the fire (at a cost of approximately $750,000) to help mitigate high energy prices and local congestion cost.

During the heat wave of the summer of 2001, the plant was dispatched frequently. In November 2001, the unit suffered a failure in the last row of blades on the steam turbine. Severe collateral damage occurred to other blade rows and to the condenser tubes beneath the turbine. Because the unit was 73 years old, Westinghouse no longer made replacement parts. In order to restore the unit to service, new turbine blades would have to be custom-made. Given the age and efficiency of the unit, such a repair was not deemed to be appropriate. This unit is no longer available for any kind of service. In order to restore electric generating capability at Blackstone, a new steam turbine generator would have to be installed that could utilize steam from existing boilers. A decision was made to retire the generating unit. This decision was based on: (1) the age and low efficiency of Blackstone generation; (2) the active construction of substantial amounts of new generation and transmission within New England and Northeastern Massachusetts; and (3) the expensive cost to repair the unit (estimated at approximately $10 million).